



# Global X Short-Term U.S. Treasury Premium Yield ETF (SPAY)

## Market Overview

The U.S. Federal Reserve (Fed) kept the Fed funds rate at its current range of 5.25% to 5.5% and continued to emphasize that a more dovish position will occur when it is confident that inflation is moving sustainably towards the Fed's 2% target.

Hotter-than-expected inflation data in April put pressure on markets, threatening the soft-landing narrative. In contrast with April, economic data released in May suggested that some progress is being made towards the Fed's goal of combatting inflation while the economy at large remains stable. Cooling inflation readings in both May and June were supported by easing labour markets and lower-than-anticipated GDP growth. This contributed to some of the dovish language in Fed Chair Jerome Powell's press conference in June, further driving equity markets upwards towards the end of the first half of 2024.

Markets currently price in 1.77 rate cuts for the remainder of the year but per the Fed's language, this may change depending on how price, labour, and spending data evolves towards the end of the year.

## Quarter in Review

During the second quarter of 2024, SPAY held iShares 20+ Year Treasury Bond ETF (TLT) and the Global X 0-3 Month U.S. T-Bill ETF (UBIL.U). The volatility in broad markets has contributed to the ETF's ability to generate sufficient yield as it manages the volatility of the underlying TLT position.

The combination of the call and put writing program places the ETF in a unique position to benefit from movements in either direction of the underlying by adjusting the put-call ratio based on market conditions. The strategy may underperform during sharp market moves, but may generally outperform in flat and or slow markets, particularly when there is high volatility due to the increased premiums that can be generated on the option writing program

## Outlook and Positioning

For the remaining year, the covered call strategy is favourably positioned to potentially provide value from a yield, hedging and upside capture perspective in the current environment. Each month, call options are dynamically written on TLT. In the first half of the year, the fund wrote slightly out-of-the-money (OTM) options on the iShares 20+ Year Treasury Bond ETF, which yielded an average annual rate of 2.5%. The premiums generated from the option writing strategy have remained steady over the last 12 months and may remain at similar levels for the rest of the year.

Commissions, management fees and expenses all may be associated with an investment in the Global X Short-Term U.S. Treasury Premium Yield ETF ("SPAY" or the "ETF") managed by Global X Investments Canada Inc. The ETF is not guaranteed, its value changes frequently and past performance may not be repeated. The prospectus contains important detailed information about the Global X Funds. **Please read the relevant prospectus before investing.**

Certain statements may constitute a forward-looking statement, including those identified by the expression "expect" and similar expressions (including grammatical variations thereof). The forward-looking statements are not historical facts but reflect the author's current expectations regarding future results or events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. These and other factors should be considered carefully and readers should not place undue reliance on such forward-looking statements. These forward-looking statements are made as of the date hereof and the authors do not undertake to update any forward-looking statement that is contained herein, whether as a result of new information, future events or otherwise, unless required by applicable law.

This communication is intended for informational purposes only and does not constitute an offer to sell or the solicitation of an offer to purchase investment products (the "Global X Funds") managed by Global X Investments Canada Inc. and is not, and should not be construed as, investment, tax, legal or accounting advice, and should not be relied upon in that regard. Individuals should seek the advice of professionals, as appropriate, regarding any particular investment. Investors should consult their professional advisors prior to implementing any changes to their investment strategies. These investments may not be suitable to the circumstances of an investor. All comments, opinions and views expressed are generally based on information available as of the date of publication and should not be considered as advice to purchase or to sell mentioned securities. **Before making any investment decision, please consult your investment advisor or advisors.**

Global X Investments Canada Inc. ("Global X") is a wholly-owned subsidiary of Mirae Asset Global Investments Co., Ltd. ("Mirae Asset"), the Korea-based asset management entity of Mirae Asset Financial Group. Global X is a corporation existing under the laws of Canada and is the manager, investment manager and trustee of the Global X Funds.

Published August XX, 2024